PASINEX RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 and 2022

(EXPRESSED IN CANADIAN DOLLARS)

Management's Responsibility

To the Shareholders of Pasinex Resources Limited (the "Company"):

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgements and estimates in accordance with International Financial Reporting Standards and ensuring that all information in the Company's publicly filed information is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded, and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors and Audit Committee are composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Board of Directors is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with both the Audit Committee and management to discuss their audit findings.

(signed)

Larry Seeley
Director

(signed)

Andrew Gottwald
Chief Financial Officer

Independent Auditor's Report

To the Shareholders of Pasinex Resources Limited:

Opinion

We have audited the consolidated financial statements of Pasinex Resources Limited (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss (income) and comprehensive loss (income), cashflows and changes in equity for the years then ended, and notes to the consolidated financial statements, including a summary of material accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023 and December 31, 2022, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 3(a) in the consolidated financial statements, which indicates that the Company reported a net loss during the year ended December 31, 2023 and, as of that date, the Company had a working capital deficiency and a net equity deficit. As stated in Note 3(a), these events or conditions, along with other matters as set forth in Note 3(a), indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Isabella Lee.

MNP LLP

Mississauga, Ontario — Chartered Professional Accountants

May 31, 2024 — Licensed Public Accountants

Pasinex Resources Limited
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	As at December 31, 2023	2022
Assets		
Current Assets		
Cash	$ **177,278**	$ 855,567
Receivables	**11,589**	48,456
Prepaid expenses and deposits	**142,601**	247,185
Total current assets	**331,468**	1,151,208
Non-current assets		
Equipment	**2,529**	4,608
Value added tax receivable	**6,932**	16,445
Exploration and evaluation assets (note 7)	**1,859,311**	1,893,020
Equity investment in Horzum AS (note 6)	**824,420**	1,016,855
Total non-current assets	**2,693,192**	2,930,928
Total assets	$ **3,024,660**	$ 4,082,136
Shareholders' equity and liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 8)	$ **364,467**	$ 715,580
Due to related parties (note 14)	**49,682**	406,236
Shareholder loans (notes 9 and 14)	**2,491,365**	2,403,147
Loan payable (note 10)	**40,000**	40,000
Income taxes payable	**31,175**	-
Total current liabilities	**2,976,689**	3,564,963
Total liabilities	**2,976,689**	3,564,963
Shareholders' equity		
Share capital (note 11)	**12,888,506**	12,888,506
Reserves	**2,157,117**	2,157,117
Deficit	**(10,612,090)**	(10,302,322)
Accumuated other comprehensive loss	**(4,385,562)**	(4,226,128)
Total shareholders' equity	**47,971**	517,173
Total liabilities and shareholders' equity	$ **3,024,660**	$ 4,082,136

Basis of measurement and going concern (note 3(a))
Subsequent events (note 18)

Approved on behalf of the Board:

"Larry Seeley" Director   "Victor Wells" Director

The accompanying notes to the audited annual consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited
Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income
(Expressed in Canadian Dollars)

	Years Ended December 31, 2023	2022
Equity gain from Horzum AS (note 6)	**$ 1,797,579**	$ 3,928,724
Expenses		
Exploration costs (note 7)	**563,889**	1,072,614
General and administrative costs (note 13)	**1,486,037**	1,390,207
Share-based payments (notes 12 and 14)	**-**	57,000
Total expenses	**2,049,926**	2,519,821
Other (loss) income		
Other (loss) income	**(163,997)**	4,230
Interest expense (notes 9, 10 and 14)	**(138,218)**	(150,191)
Foreign exchange gain	**171,472**	150,939
Assigned dividend (note 5)	**626,476**	1,095,289
Loss on net monetary position	**(515,340)**	(465,997)
Total other (loss) income	**(19,607)**	634,270
Net (loss) income for the year before income tax	**(271,954)**	2,043,173
Provision for income tax		
Current	**(37,814)**	-
Net (loss) income for the year	**(309,768)**	**2,043,173**
Other comprehensive (loss) income		
Item that will be reclassified subsequently to profit and loss:		
Currency translation adjustment	**(159,434)**	(164,575)
Total comprehensive (loss) income for the year	**$ (469,202)**	$ 1,878,598
Net (loss) income per share - basic and diluted	**$ 0.00**	$ 0.01
Weighted average number of shares outstanding - basic and diluted	**144,554,371**	144,554,371

The accompanying notes to the audited annual consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years Ended December 31, 2023	2022
Operating activities		
Net (loss) income for the year	**$ (309,768)**	$ 2,043,173
Net equity gain from Horzum AS	**(1,797,579)**	(3,928,724)
Dividend received (note 3(a))	**1,760,901**	3,256,282
Adjustments for items not involving cash:		
Interest accrual (notes 9, 10 and 14)	**138,218**	150,191
Share-based payments (notes 12 and 14)	**-**	57,000
Foreign exchange	**(80,199)**	266,143
Assigned dividend	**(626,476)**	(1,095,289)
Loss on net monetary position	**515,340**	465,997
Depreciation	**1,911**	2,158
Changes in non-cash working capital items:		
Due from related parties	**-**	814,897
Prepaid expenses and deposits	**90,902**	(218,414)
Accounts payable and accrued liabilities	**(294,195)**	100,853
Due to related parties	**5,446**	(42,080)
Other	**41,102**	(33,726)
Net cash (used in) provided by operating activities	**(554,397)**	1,838,461
Investing activities		
Equipment acquisiton	**(1,823)**	(2,041)
Net cash used in investing activities	**(1,823)**	(2,041)
Financing activities		
Cash paid on shareholders loans (note 9)	**(50,000)**	(518,107)
Payments on loan payable (note 10)	**-**	(116,510)
Net cash used in financing activities	**(50,000)**	(634,617)
Net change in cash	**(606,220)**	1,201,803
Effect of foreign currencies on cash	**(72,069)**	(446,267)
Cash, beginning of year	**855,567**	100,031
Cash, end of year	**$ 177,278**	$ 855,567

The accompanying notes to the audited annual consolidated financial statements are an integral part of these statements.

Pasinex Resources Limited
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Number of Shares (note 11)		Share Capital (note 11)		Reserves		Deficit		Accumulated Other Comprehensive Loss		Total
Balance as at December 31, 2021	**144,554,371**	**$**	**12,888,506**	**$**	**2,100,117**	**$**	**(12,049,182)**	**$**	**(4,061,553)**	**$**	**(1,122,112)**
Impact of hyperinflation adjustment (note 3(o))	-		-		-		(296,313)		296,313		-
Balance as at January 1, 2022	**144,554,371**	**$**	**12,888,506**	**$**	**2,100,117**	**$**	**(12,345,495)**	**$**	**(3,765,240)**	**$**	**(1,122,112)**
Share-based payments (notes 12 and 14)	-		-		57,000		-		-		57,000
Currency translation adjustment	-		-		-		-		(460,888)		(460,888)
Net income for the year	-		-		-		2,043,173		-		2,043,173
Balance as at December 31, 2022	**144,554,371**	**$**	**12,888,506**	**$**	**2,157,117**	**$**	**(10,302,322)**	**$**	**(4,226,128)**	**$**	**517,173**
Currency translation adjustment	-		-		-		-		(159,434)		(159,434)
Net loss for the year	-		-		-		(309,768)		-		(309,768)
Balance as at December 31, 2023	**144,554,371**	**$**	**12,888,506**	**$**	**2,157,117**	**$**	**(10,612,090)**	**$**	**(4,385,562)**	**$**	**47,971**

The accompanying notes to the audited annual consolidated financial statements are an integral part of these statements.

1. Corporate information and nature of operations

Pasinex Resources Limited ("Pasinex" or the "Company") is a publicly listed company incorporated in British Columbia. The Company's shares are listed on the Canadian Securities Exchange ("CSE") under the symbol "PSE" and on the Frankfurt Stock Exchange ("FSE") under the symbol "PNX". The head office, principal address and registered and records office of the Company are located at 82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1.

Pasinex Resources Limited owns 50% of Horzum Maden Arama ve Isletme Anonim Sirketi ("Horzum AS" or "Joint Venture"), through its 100% owned subsidiary Pasinex Arama ve Madencilik Anonim Sirketi ("Pasinex Arama"). The other 50% owner is Akmetal Madencilik Sanayi ve Ticaret A.S. ("Akmetal"), a private Turkish company. Horzum AS holds 100% of the producing Pinargozu high-grade zinc mine. Horzum AS sells directly to zinc smelters and or refiners through commodity brokers from its mine site in Türkiye. The Company also holds a 51% interest, with an option to increase to an 80% interest of a high-grade zinc exploration project, the Gunman Project, located in Nevada.

These consolidated financial statements were approved and authorized for issuance by the Audit Committee and Board of Directors on May 31, 2024.

The Company has not been materially impacted by the ongoing conflict in the Ukraine, but uncertainty remains surrounding the conflict and the extent and duration of the impacts that it may have on the Company's ability to operate, on prices for zinc, on logistics and supply chains, on the Company's employees and on global financial markets.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). The policies in these consolidated financial statements are based on IFRS in effect as at December 31, 2023. Accounting policies are consistently applied to all years presented, unless otherwise stated.

2. Basis of presentation (continued)

(b) Principles of consolidation

The consolidated financial statements include the financial statements of Pasinex and its subsidiaries from their respective dates of control, as listed below:

			Interest	
	Location	**Nature of Operation**	**2023**	**2022**
Pasinex Arama	Türkiye	Mineral exploration	100%	100%
Pasinex Nevada	United States	Mineral exploration	100%	100%

Pasinex and its subsidiaries are collectively referred to as the "Company". All intercompany transactions, balances and unrealized gains and losses from intercompany transactions have been eliminated upon consolidation. In addition, the Company, through Pasinex Arama, holds a joint venture interest which is equity accounted in the consolidated financial statements as a joint venture:

			Interest	
	Location	**Nature of Operation**	**2023**	**2022**
Horzum AS	Türkiye	Mining	50%	50%

3. Material accounting policies

(a) Basis of measurement and going concern

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments classified as financial instruments at fair value through profit or loss and fair value of stock-based compensations are measured at their fair value. The consolidated financial statements are presented in Canadian dollars except where otherwise indicated. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting.

The application of the going concern concept assumes that the Company will continue in operation for at least the next twelve months and will be able to realize its assets and discharge its liabilities in the normal course of operations. At December 31, 2023, the Company had a deficit of $10,612,090 (December 31, 2022 – deficit of $10,302,322) and had a working capital deficiency position of $2,645,221 (December 31, 2022 – $2,413,755). The Company had a net loss of $309,768 for the year ended December 31, 2023 (2022 – net income of $2,043,173) and negative cash flows from operations of $554,397 for the year ended December 31, 2023 (2022 – positive cash flows from operations of $1,838,461) and accordingly does not have enough cash on hand to fund its payables and its expected non-discretionary obligations for the next 12 months.

Although revenues and profits from operations declined in 2023, Horzum AS still had a profitable year in 2023, producing approximately $8.7 million in revenues (2022 – approximately $18.0 million) and generating approximately $3.8 million in operating income (2022 – approximately $12.9 million). Pasinex Arama received approximately TRY 27.2 million (approximately $1.8 million using the exchange rates on the dates of the various transfers from Horzum AS) in dividends collections from Horzum AS in the twelve months ended December 31, 2023, compared with approximately TRY 42.2 million (approximately $3.3 million using the exchange rate on the dates of the transfers from Horzum AS) in 2022.

3. Material accounting policies (continued)

(a) Basis of measurement and going concern (continued)

As at December 31, 2023, Horzum AS has a receivable owing from Akmetal of approximately $34.6 million (see *note 6(a)*). The above debt figure does not include certain items like interest on the outstanding debt, interest and penalties, incurred by Horzum AS, on the non-payment of income taxes as a result of not having sufficient cash on hand due to Akmetal not paying its debt to Horzum and certain other debts to Horzum AS.

Pasinex has engaged the legal services of Denton's Canada LLP in Toronto, Canada and HBB Hukuk Burosu in Istanbul who have initiated legal processes to collect the outstanding receivable owed by Akmetal either by court action or negotiation.

The legal process is underway and Pasinex remains optimistic that a resolution will result from these legal actions, but assurance of success cannot be certain. Pasinex is also taking the necessary actions to ensure Horzum AS remains in operation during the legal processes, which may take several months.

Horzum AS's operations have generated positive operating income in 2023, however in the absence of the receipt of additional dividends from Horzum AS, the Company would need to secure funding from either equity financing or additional related party loans to fund its ongoing activities. There can be no assurance that the Company will be able to generate either sufficient dividends from Horzum AS or be able to generate funds from other sources.

Accordingly, until Akmetal makes significant payments, these conditions represent a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include adjustments to the carrying values of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

(b) Interest in joint venture

The Company determines whether the joint arrangement entered into by the Company is a joint operation or a joint venture based upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Where the Company determines the joint arrangement represents a joint operation, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

Where the Company determines the joint arrangement represents a joint venture, the Company recognizes its interest in a joint venture as an investment and accounts for this investment using the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the

3. Material accounting policies (continued)

(b) Interest in joint venture (continued)

Company's share of the net assets of the joint venture applying consistent accounting policies to the Company. The Company's share of the Joint Venture's profit or loss and comprehensive loss is included in the Company's consolidated statements of income (loss) and comprehensive income (loss). When the Company's share of losses in the Joint Venture exceeds the Company's interest in that Joint Venture, the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the Joint Venture. If the Joint Venture subsequently reports a profit, the Company resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

(c) Foreign currency

The consolidated financial statements are presented in Canadian dollars, which is also the parent entity's functional currency. The functional currency is the currency of the primary economic environment in which the entity operates and has been determined for each entity within the Company. The functional currency of Pasinex Arama and Horzum AS is the Turkish Lira ("TRY"). The functional currency for Pasinex Nevada is the U.S. dollar because the majority of its activities are carried out in U.S. dollars.

Foreign currency transactions are translated into the Company and its Subsidiaries functional currencies using exchange rates prevailing at the date of the transactions. All foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the consolidated statement of financial position date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at reporting date exchange rates are recognized in the consolidated statements of loss and comprehensive loss.

Assets and liabilities of Pasinex Nevada and of Pasinex Arama, which includes the equity accounted investment in Horzum AS, having a currency other than the Canadian dollar are translated at the rate of exchange at the reporting date. Revenues and expenses are translated at average rates for the periods, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. The resulting foreign currency translation adjustments are recognized in other comprehensive income (loss).

See also *note 3(o), IAS 29 – Financial Reporting in Hyperinflationary Economies*, which discusses the application of hyperinflation accounting and its impact on the translation of an entity's non-monetary assets and liabilities, shareholders' equity and comprehensive (loss) income items.

(d) Revenue recognition

Revenue, included in the equity gain of the Joint Venture, includes the sale of all zinc product sold.

Revenue from contracts with customers is recognized when a customer obtains control of the promised asset and Horzum AS satisfies its performance obligation. Revenue is allocated to each performance obligation. Horzum AS considers the terms of the contract in determining the transaction price. The transaction price is based upon the amount the Company expects to be entitled to in exchange for the transferring of promised goods.

3. Material accounting policies (continued)

(d) Revenue recognition (continued)

Horzum AS satisfies its performance obligations for its sales per specified contract terms which are generally upon shipment or upon delivery. Revenue from sales is recorded based upon forward market prices of the expected final sales price date or as set with the customer upon shipment or upon delivery. The sales price is based on a multiplier, which considers the grade of the zinc. Where sales are based on forward market prices, the sales price is based on an average London Metals Exchange ("LME") price depending on the number of days in the quotational period as defined in the contract with the buyer.

(e) Inventories

Inventories are valued at the lower of average production cost and net realizable value. Production costs include mining costs, applicable overhead costs and depreciation incurred in bringing inventory to its existing location and form. Net realizable value is calculated as the estimated price in the ordinary course of business less estimated future costs to complete the sale.

(f) Equipment

Upon initial acquisition equipment is valued at cost, being the purchase price and the directly attributable costs required to bring the asset to the location and condition necessary for putting it into use. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. In subsequent periods, equipment is recorded at cost less accumulated depreciation and impairment charges, if applicable. Depreciation is calculated using the straight-line or declining methods at the following annual rates:

Vehicles	4 - 5 years on a straight-line method
Fixtures and equipment	3 - 10 years on a straight-line method
Mining equipment	30% on declining method

Additions during the year are depreciated on a pro-rata basis based on the annual depreciation amount.

(g) Exploration and evaluation assets

Exploration and evaluation activities involve the search for minerals, the determination of technical feasibility, and the assessment of commercial viability of an identified resource.

Exploration and evaluation costs incurred prior to having the legal right to explore are expensed in the period in which they are incurred. Acquisition costs incurred in connection with the terms of option agreements are capitalized. All capitalized exploration and evaluation costs are recorded at acquisition cost and are monitored for indications of impairment. Where there are indications of a potential impairment, an assessment is performed for recoverability. Capitalized costs are charged to the consolidated statements of loss and comprehensive loss to the extent that they are not expected to be recovered.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets are tested for impairment and transferred to "Mines under construction". There is no amortization during the exploration and evaluation phase.

Recoverability of the carrying amount of any exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

3. Material accounting policies (continued)

(h) Financial instruments

Financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains the primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit and loss ("FVTPL").

Below is a summary showing the classification and measurement bases of the Company's financial instruments:

Classification	IFRS 9
Cash	FVTPL
Due from related parties	Amortized cost
Receivables (excluding HST and VAT)	Amortized cost
Accounts payable and accrued liabilities (excluding HST and VAT)	Amortized cost
Shareholder loans	Amortized cost
Due to related parties	Amortized cost
Loan payable	Amortized cost

Financial assets

Financial assets are classified as either financial assets at FVTPL, amortized cost, or FVTOCI. The Company determines the classification of its financial assets at initial recognition.

- Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in the consolidated statements of loss and comprehensive loss. The Company’s cash is classified as financial assets and measured at FVTPL.

- Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at fair value through profit and loss: 1) the objective of the Company’s business model for these financial assets is to collect their contractual cash flows; and 2) the asset’s contractual cash flows represent "solely payments of principal and interest". The Company’s due from related parties and receivables (excluding HST and VAT) are classified as financial assets and measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

3. Material accounting policies (continued)

(h) Financial instruments (continued)

- Amortized cost

Financial liabilities are classified as measured at amortized cost unless they fall into one of the following categories: financial liabilities at FVTPL, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition, financial guarantee contracts, commitments to provide a loan at a below-market interest rate, or contingent consideration recognized by an acquirer in a business combination. The Company's accounts payable and accrued liabilities (excluding HST and VAT), shareholder loans, due to related parties and loan payable do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at FVTPL, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of loss and comprehensive loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive loss.

Derecognition

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred, or liabilities assumed, is recognized in the consolidated statements of (loss) income and comprehensive (loss) income.

Expected credit loss impairment model

IFRS 9 introduced a single expected credit loss impairment model, which is based on changes in credit quality since initial application. The expected credit loss is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive on a discounted basis. Expected credit losses are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for default events that are possible within the next 12 months. For credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure.

The Company assumes that the credit risk on a financial asset classified at amortized cost has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full or when the financial asset is more than 90 days past due.

Outstanding balances for related party trade receivables are un-secured and settlement occurs in cash. There have been no guarantees received for any related party receivable. An assessment of the expected credit losses relating to the related party receivable is undertaken upon initial recognition and each reporting period by examining the financial position of the related party and applying the expected credit loss impairment model.

3. Material accounting policies (continued)

(i) Share capital

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

(k) Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

3. Material accounting policies (continued)

(l) Earnings (loss) per share

Basic earnings (loss) per share is computed by dividing the net income or loss attributable to the owners of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings per share is determined by adjusting the earnings or loss attributable to the owners of the Company and the weighted average number of common shares outstanding for the effects of dilutive instruments, which includes stock options and common share purchase warrants, as if their dilutive effect was at the beginning of the period. The calculation of the diluted number of common shares assumes that proceeds received from the exercise of "in-the-money" stock options and common share purchase warrants are used to purchase common shares of the Company at their average market price for the period.

In periods that the Company reports a net loss, per share amounts are not presented on a diluted basis as the result would be anti-dilutive.

(m) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

Provisions for mine closure and restoration are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (which include such costs as dismantling and demolition of infrastructure, removal of residual materials and remediation of disturbed areas) in the accounting period when the related environmental disturbance occurs. The provision is discounted using a pre-tax rate and the accretion is included in finance costs.

Restoration activities will occur primarily upon closure of a mine but can occur from time to time throughout the life of the mine. As restoration projects are undertaken, their costs are charged against the provision as the costs are incurred.

(n) Impairment of non-current assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is an indication of impairment, then the asset's recoverable amount is estimated.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3. Material accounting policies (continued)

(n) Impairment of non-current assets (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of loss and comprehensive loss.

(o) Financial Reporting in Hyperinflationary Economies

Due to various qualitative factors and developments with respect to the economic environment in Türkiye during 2022, including, but not limited to, the acceleration of multiple local inflation indices, the three-year cumulative inflation rate of the Turkish Statistical Institute exceeded 100% in March 2022 and the significant devaluation of the Turkish Lira, Türkiye was designated a hyper-inflationary economy in the second quarter of 2022 for accounting purposes and continues to be classified a hyper-inflationary economy.

Accordingly, IAS 29, Financial Reporting in Hyper-Inflationary Economies, has been applied to these consolidated financial statements as the Company's Turkish wholly owned subsidiary, Pasinex Arama, uses the Turkish Lira as its functional currency. The Company also followed the interpretive guidance for first time adoption of IAS 29 included within IFRIC 7. The consolidated financial statements are based on the historical cost approach in IAS 29.

The application of hyperinflation accounting requires restatement of an entity's non-monetary assets and liabilities, shareholders' equity and comprehensive income (loss) items from the transaction date when they were first recognized into the current purchasing power which reflects a price index at the end of the reporting period before being included in the consolidated financial statements. To measure the impact of inflation on its financial position and results, the Company has elected to use the Consumer Price Index issued by the Turkish Statistical Institute.

(Expressed in Canadian Dollars, unless otherwise indicated)

3. Material accounting policies (continued)

(o) Financial Reporting in Hyperinflationary Economies (continued)

The conversion index for the current and prior years and the corresponding conversion coefficients since the year when Pasinex Arama and Horzum AS were establish were as follows:

Year	Index	Conversion Coefficient
2023 - December	1,859.38	
2023 - September	1,691.04	1.10
2023 - June	1,351.59	1.38
2023 - March	1,269.75	1.46
2022 - December	1,128.45	1.65
2021 - December	686.95	2.71
2020 - December	504.81	3.68
2019 - December	440.50	4.22
2018 - December	393.88	4.72
2017 - December	327.41	5.68
2016 - December	292.54	6.36
2015 - December	269.54	6.90
2014 - December	247.72	7.51
2013 - December	229.01	8.12
2012 - December	213.23	8.72
2012 - October	211.62	8.79
2012 - January	201.98	9.21

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at the end of each year. Non-monetary assets, liabilities, equity, and expenses (items that are not already expressed in terms of the monetary unit as at the end of each year) are restated by applying the index at the end of the reporting period. The effect of inflation on Pasinex Arama's net monetary position is included in the Consolidated Statements of (Loss) Income and Comprehensive (Loss) Income as a net monetary loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position.

As per IAS 21, The Effects of Changes in Foreign Exchange Rates, all amounts (i.e. assets, liabilities, equity and expenses) are translated at the closing foreign exchange rate at the date of the most recent consolidated Statement of Financial Position, except that comparative amounts are not adjusted for subsequent changes in the price level or subsequent changes in exchange rates. Similarly, in the period during which the functional currency of a foreign subsidiary becomes hyperinflationary and applies IAS 29 for the first time, the parent's consolidated financial statements for the comparative period are not restated for the effects of hyperinflation.

The opening equity adjustment of $296,313 recorded in the year ended December 31, 2022, relates to the hyperinflation adjustments for non-monetary assets, liabilities and equity items in the consolidated statement of financial position as at January 1, 2022.

3. Material accounting policies (continued)

(p) New standards and interpretations to be adopted January 1, 2024

Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

In January 2020 and October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments clarify the requirements for classifying liabilities as either current or noncurrent by clarifying that:

• Liabilities are classified as either current or non-current depending on the existence at the end of the reporting period of a right to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date. Classification is unaffected by the likelihood that an entity will settle the liability within 12 months after the reporting date; and

• How an entity classifies debt an entity may settle by converting it into equity.

Additionally, the amendments added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period. Both the January 2020 and October 2022 amendments are effective for annual reporting periods beginning on or after January 1, 2024. The Company has assessed the impact of this new standard and determined that there is no impact to the Consolidated Financial Statements.

4. Critical accounting judgements and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, and related disclosure. Judgement is used mainly in determining how a balance or transaction should be recognized in the consolidated financial statements. Estimates and assumptions are used mainly in determining the measurement of recognized transactions and balances. Actual results may differ from these estimates.

(a) Accounting judgement

Significant areas where management's judgement has been applied include:

(i) Exploration and evaluation assets

Judgement is required to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of economic recoverability. In addition, management applies a number of estimates and assumptions in its assessments of economic recoverability and probability of future economic benefit including geologic information, scoping and feasibility studies (if any), accessible facilities, existing permits and estimated future cash flows.

(ii) Functional currency

The functional currency for the Company's subsidiaries and investment in joint venture applies estimates and assumptions to assess the currency of the primary economic environment in which the entity operates. Determination of functional currency may involve certain judgements to determine the primary economic environment. The Company reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

(iii) Joint arrangement

Based on the terms of the Shareholders' Agreement between Pasinex Arama and Akmetal dated January 17, 2013, the Company has determined the joint arrangement is a form of joint venture and the Company is required to account for its share in the joint venture company by using the equity method. Judgement is required to classify the joint arrangement as a joint venture. The joint arrangement is held through a separate vehicle and the terms of the Joint Venture Agreement indicate the Company has the rights to the net assets, however other facts and circumstances may suggest the Company does not have joint control of certain assets and liabilities. As a result, Horzum AS is a joint venture.

(iv) Going concern

Significant judgements used in the preparation of these consolidated financial statements include but are not limited to those relating to the assessment of the Company's ability to continue as a going concern (see note 3(a). Judgement is required to determine the non-discretionary spending for the next 12 months and the potential cash inflows for the same period. Future cash inflows are largely based on cash flows from Horzum AS, which are based on estimates and assumptions of production and sales volumes, zinc prices, resources, operating costs, capital expenditures and collection of trade receivables.

4. Critical accounting judgements and estimates (continued)

(a) Accounting judgement (continued)

(v) Deferred taxes

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(vi) Hyper-inflationary accounting

The Company has designated Türkiye as a hyper-inflationary economy and has therefore employed the use of hyper-inflationary accounting to consolidate and report Pasinex Arama. Hyper-inflationary accounting was also applied to Horzum AS. The determination of whether an economy is hyper-inflationary requires the Company to make certain estimates and judgements, such as an assessment of historic inflation rates and anticipation of future trends. In addition, the application of hyper-inflationary accounting requires the selection and use of price indices to estimate the impact of inflation on the non-monetary assets and liabilities, and results of the operations of the Company. The selection of price indices is based on the Company's assessment of various available price indices on the basis of reliability and relevance. Changes in estimates may significantly impact the carrying value of non-monetary assets or liabilities, and results of operations, which are subject to hyper-inflationary adjustments, and the related gains and losses within net income (loss).

(b) Use of estimates

As described above estimates and assumptions are contemplated with the described judgements. In addition, other significant areas requiring the use of management estimates and assumptions include:

(i) Impairment of trade receivables

Expected credit losses on trade receivables requires the use of estimates and assumptions, including amongst others, historical default rates, forecast economic conditions, assessment of customer and related party financial condition and discount rates. The estimates and assumptions are subject to risk and uncertainty; hence, the Company's assessment of expected credit loss and forecast of economic conditions may not be representative of the customer's actual default in the future, which may impact the recoverable amount of the assets.

(ii) Impairment of non-current assets

Non-current assets are tested for impairment if there is an indicator of impairment. The impairment analysis generally requires the use of estimates and assumptions, including amongst others, long-term commodity prices, discount rates, length of mine life, future production levels, future operating costs, future capital expenditures and tax estimates. The estimates and assumptions are subject to risk and uncertainty; hence, there is the possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. In such circumstances the carrying value of the assets may be impaired with the impact recorded in the consolidated statements of loss and comprehensive loss.

The net investment in a joint venture is impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the net investment. Objective evidence that the net investment is impaired includes observable data that comes to the attention of the entity about the following loss events: significant financial difficulty of the associate or joint venture; a breach of contract, such

4. Critical accounting judgements and estimates (continued)

(b) Use of estimates (continued)

(ii) Impairment of non-current assets (continued)

as a default or delinquency in payments by the associate or joint venture; the entity, for economic or legal reasons relating to its associate's or joint venture's financial difficulty, granting to the associate or joint venture a concession that the entity would not otherwise consider; it becoming probable that the associate or joint venture will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for the net investment because of financial difficulties of the associate or joint venture.

(iii) Decommissioning liability

The Company's accounting policy for the recognition of accrued site closure costs requires significant estimates and assumptions such as the requirements of the relevant legal and regulatory framework, the magnitude of possible disturbance and the timing, extent and costs of required closure, rehabilitation activity and applicable discount rates. Changes to these estimates and assumptions may result in actual expenditures in the future differing from the amounts currently provided. The decommissioning liability is periodically reviewed and updated based on the available facts and circumstances. Management's assumption is that there are currently no decommissioning liabilities at its sites, nor subject to known additional environmental liabilities or mitigation measures as at December 31, 2023 and 2022.

(iv) Share-based payments

The Company makes certain estimates and assumptions when calculating the fair values of share-based compensation granted. The significant estimations and assumptions include expected volatility, expected life, expected dividend rate and risk-free rate of return.

(v) *Income taxes*

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

5. Due from related parties

Pasinex Arama received approximately TRY 27.2 million (approximately $1.8 million using the exchange rates on the dates of the various transfers from Horzum AS) in dividend collections from Horzum AS in the twelve months ended December 31, 2023 *(see note 3(a) - Basis of Measurement and Going Concern*).

At an Ordinary General Assembly Meeting held in May 2023, Horzum AS declared a dividend totalling approximately TRY 35.0 million (approximately $2.4 million using the exchange rate on the date the dividend was declared) of which Pasinex Arama was entitled to approximately TRY 17.3 million (approximately $1.2 million using the exchange rate on the date the dividend was declared) as a result of its 50% ownership in Horzum AS. In addition, Akmetal has assigned to Pasinex Arama, a portion of its entitlement to the declared dividend. The value of the assignment of the dividend was approximately TRY 7.0 million (approximately $0.5 million using the exchange rate on the date the dividend was declared). Therefore, Pasinex Arama's total entitlement from the declared dividend is approximately TRY 24.3 million (approximately $1.7 million using the exchange rate on the date the dividend was declared).

In addition, at the same Ordinary General Assembly Meeting, Horzum AS also approved the distribution of its legal reserves totalling approximately TRY 11.2 million (approximately $0.8 million using the exchange rate on the date the distribution was approved). Pasinex Arama was entitled to approximately TRY 5.6 million (approximately $0.4 million using the exchange rate on the date the distribution was approved) as a result of its 50% ownership in Horzum AS. In addition, Akmetal has assigned to Pasinex Arama, a portion of its entitlement to the distribution. The value of the assignment of the distribution was approximately TRY 2.2 million (approximately $0.1 million using the exchange rate on the date the distribution was approved). Therefore, Pasinex Arama's total entitlement from the distribution of legal reserves is approximately TRY 7.8 million (approximately $0.5 million using the exchange rate on the date the distribution was approved).

This brings the total amount owing to Pasinex Arama to approximately TRY 32.1 million (approximately $2.2 million using the exchange rate on the date the dividend and distribution were declared and approved). This total includes approximately TRY 23.0 million as a result of its 50% ownership in Horzum AS (approximately $1.6 million using the exchange rate on the date the dividend and distribution were declared and approved) and approximately TRY 9.2 million as a result of the assigned dividend from Akmetal (approximately $0.6 million using the exchange rate on the date the dividend and distribution were declared and approved).The full amount owed to Pasinex Arama had been collected by the end of 2023.

(Expressed in Canadian Dollars, unless otherwise indicated)

6. Investment in Horzum AS

On January 17, 2013, the Company, through its wholly owned Turkish subsidiary, Pasinex Arama, entered into a joint venture agreement with Türkiye based miner, Akmetal, to explore for zinc and other associated commodities in the region between and around Horzum and Tufanbeyli, Adana Province, Türkiye. A joint venture company was formed, Horzum AS, held 50% by each joint venture partner. Horzum AS is controlled by a board consisting of equal representatives of both Pasinex and Akmetal.

In 2013, Horzum AS acquired the Pinargozu mine in Türkiye. The property is located within the Turkish Provinces of Adana and has been in operation since 2016 producing high grade zinc. The investment in Horzum AS is considered a joint venture for accounting purposes and accordingly is accounted for using the equity method.

The following table shows the change in the value of the Company's 50% investment in Horzum AS.

	Years Ended December 31,	
	2023	**2022**
Opening balance	**$ 1,016,855**	$ -
Equity gain from Horzum AS	**1,797,579**	3,928,724
Dividend entitlement from Horzum AS (note 5)	**(1,566,191)**	(2,738,221)
Foreign exchange loss	**(423,823)**	(173,648)
Closing balance	**$ 824,420**	$ 1,016,855

Summarized Financial Statements for Horzum AS

Türkiye was designated as a hyperinflationary economy in the second quarter of 2022 and as a result IAS 29, Financial Reporting in Hyper-Inflationary Economies, has been applied to the summarized financial information for Horzum AS *(see note 3(o) – Material accounting policies – Financial Reporting in Hyperinflationary Economies)*. The effect of inflation on Horzum AS's net monetary position for the year is included in the statements of operations presented below as a net monetary gain. In addition, Horzum AS recorded a net opening equity adjustment of approximately $1.44 million related to the hyperinflation adjustments for non-monetary assets, liabilities and equity items in the statements of financial position as at January 1, 2022. The opening equity adjustment included a $0.42 million increase to share capital, a $0.74 million increase to lease assets and a $1.12 million increase to plant and equipment.

(Expressed in Canadian Dollars, unless otherwise indicated)

6. Investment in Horzum AS (continued)

Horzum AS's financial results are set out below.

Statements of Financial Position		**As at December 31,**		
(100% basis - Canadian dollars)		**2023**		**2022**
Current assets				
Cash and prepaid expenses	**$**	**381,510**	$	639,101
Akmetal receivable (note 6(a))		**34,639,070**		45,099,246
Less - discount and allowance on Akmetal receivable (note 6(a))		**(34,639,070)**		(45,099,246)
Trade receivables		**3,077**		18,378
Other receivables		**320,556**		273,870
Due from shareholders and related parties (note 6(b))		**-**		362,000
Inventories		**1,345,344**		1,166,806
Total current assets		**2,050,487**		2,460,155
Non-current assets				
Lease asset		**1,368,055**		1,673,338
Plant and equipment		**1,480,338**		1,489,098
Deferred tax asset		**-**		72,458
Other non-current assets		**169,282**		632,909
Total non-current assets		**3,017,675**		3,867,803
Total assets	**$**	**5,068,162**	$	6,327,958
Current Liabilities				
Trade payable and other current liabilities	**$**	**260,085**	$	454,709
Amounts due to shareholders and related parties		**518,316**		-
Lease liabilities		**318,000**		920,154
Deferred revenue		**1,565,517**		1,705,967
Income taxes payable		**293,803**		968,227
Total current liabilities		**2,955,721**		4,049,057
Non-current liabilities				
Employee benefits and other liabilities		**198,242**		245,192
Deferred tax liability		**265,359**		-
Total liabilities		**3,419,322**		4,294,249
Shareholders' equity				
Share capital		**828,014**		736,843
Deficit		**(596,603)**		(968,209)
Foreign exchange difference		**1,417,429**		2,265,075
Total shareholders' equity		**1,648,840**		2,033,709
Total liabilities and shareholders' equity	**$**	**5,068,162**	$	6,327,958
Pasinex ownership interest		**50%**		50%
Net equity above	**$**	**1,648,840**	$	2,033,709
Pasinex investment in Horzum AS	**$**	**824,420**	$	1,016,855

(Expressed in Canadian Dollars, unless otherwise indicated)

6. Investment in Horzum AS (continued)

Statements of Operations	Years Ended December 31,	
(100% basis - Canadian dollars)	**2023**	**2022**
Revenue	**$ 8,658,801**	$ 18,014,071
Cost of sales	**(4,668,947)**	(4,666,025)
Selling, marketing and other distibution	**(237,637)**	(434,178)
Operating income	**3,752,217**	12,913,868
Impairment of Akmetal receivable (note 6(a))	**(11,428,778)**	(17,924,361)
General and administrative expenses	**(555,461)**	(508,072)
Foreign exchange gain	**11,925,192**	15,281,714
Finance expense	**(106,205)**	(240,795)
Deferred tax (expense) income	**(361,827)**	72,458
Gain on net monetary position	**1,423,083**	960,487
Current income tax expense	**(1,144,234)**	(954,010)
Other	**-**	22,617
Net income for the year	**$ 3,503,987**	$ 9,623,906
Pasinex ownership interest	**50%**	50%
Share of net income	**$ 1,751,994**	$ 4,811,953
Recognition of prior years equity losses	**-**	(1,852,119)
Hyperinflationary adjustments to opening retained earnings	**-**	719,169
Hyperinflationary adjustments to share capital	**45,585**	249,721
Equity gain from Horzum AS	**$ 1,797,579**	$ 3,928,724

(a) Akmetal has been facing liquidity issues since 2018. This combined with nonpayment of the Akmetal receivable led management to assess the probability of credit losses to be high. As a result, as required under IFRS 9, the Company took a full impairment charge of the receivables at December 31, 2018.

The total receivable from Akmetal is approximately $34.6 million as at the end of December 31, 2023, compared with $45.1 million at the end of December 31, 2022. The receivable consists of a number of items including joint venture sales proceeds received and withheld by Akmetal, the value of zinc product mined at the joint venture used by Akmetal, foreign currency gains on USD denominated amounts and the value of certain loan payments made to a customer on behalf of Akmetal.

As a result of not having collected the Akmetal receivable, Horzum AS has not been able to pay, in full, its liabilities in the normal course of operations. Horzum AS has approximately $3.0 million in current liabilities ($4.0 million at December 31, 2022) and a working capital deficiency of approximately $0.9 million ($1.6 million at December 31, 2022). Included within the total current liabilities are approximately $0.3 million owed in trade payables (approximately $0.5 million at December 31, 2022), approximately $0.5 in amounts due to shareholders and related parties (nil at December 31, 2022), deferred revenue of approximately $1.6 million (approximately $1.7 million at December 31, 2022) and approximately $0.3 million in various taxes payable ($1.0 million at December 31, 2022).

Due to Akmetal's continued liquidity issues and continued nonpayment of the receivable, management has continued to assess the probability of credit losses to be high. As a result, the receivable remains written down to zero. See *note 3(a) - Basis of Measurement and Going Concern* for additional discussion on the collectability of the Akmetal receivable.

(Expressed in Canadian Dollars, unless otherwise indicated)

6. Investment in Horzum AS (continued)

(b) Amounts due from shareholders and related parties as at December 31, 2022 include the amount advanced to Pasinex Arama in the form of an advanced dividend. There were no amounts due from shareholders and related parties as at December 31, 2023.

(c) Amounts due to shareholders and related parties as at December 31, 2023 include amounts owed to Akmetal for services and supplies provided to Horzum AS. There were no amounts owed to shareholders and related parties as at December 31, 2022.

(d) Pasinex Arama recovered certain of its costs, from Horzum AS, that it incurred during the year. The total amount recovered in 2023 was approximately TRY 5.6 million (approximately $302,000 using the exchange rates on the dates of the various transfers from Horzum AS). The total amount recovered in 2022 was approximately TRY 2.1 million (approximately $168,000 using the average exchange rate during the year).

(e) In 2023, there was an equity gain of approximately $1.8 million (2022 – approximately $3.9 million). Horzum AS issued a dividend to its shareholders in 2023 of which, Pasinex Arama was entitled to approximately TRY 23 million as a result of its 50% ownership in Horzum AS (approximately $1.6 million on the date of the issue of the dividend). Horzum AS issued a dividend to its shareholders in 2022 of which, Pasinex Arama was entitled to approximately TRY 30 million as a result of its 50% ownership in Horzum AS (approximately $2.7 million on the date of the issue of the dividend).

7. Exploration and evaluation assets

	Horzum Properties	Gunman Project	Total
Balance as at December 31, 2021	**$ 457,321**	**$ 1,343,901**	**$ 1,801,222**
Foreign exchange adjustment	-	91,798	91,798
Balance as at December 31, 2022	**$ 457,321**	**$ 1,435,699**	**$ 1,893,020**
Foreign exchange adjustment	-	(33,709)	(33,709)
Balance as at December 31, 2023	**$ 457,321**	**$ 1,401,990**	**$ 1,859,311**

(a) Horzum Properties

The Company, through Pasinex Arama had acquired six properties in 2013 located near the Pinargozu mine. As at December 31, 2023, the Company only held the Akkaya Property with its operational exploration license in good standing until November 2032. Pasinex Arama is in the process of converting the operational license to an operational permit. In order to receive the operational permit, Pasinex Arama must obtain all essential permits including forestry and working permits according to the mining laws and completion of an environmental impact assessment.

7. Exploration and evaluation assets (continued)

(b) Gunman Project

Pasinex through its wholly-owned subsidiary Pasinex Nevada, entered into an option agreement with Century Lithium Corp. (“Century”) (formally Cypress Development Corp) and Caliber Minerals Inc. (“Caliber”) (formerly named Silcom Systems Inc.) to earn up to an 80% interest in the Gunman Project (formerly the "Spur Zinc Project") located in White Pine County, Nevada (“Option Agreement”). The Option Agreement’s total consideration to acquire an 80% interest is a combination of cash and Pasinex common shares. The Company must incur minimum exploration expenditures totalling US$2,950,000.

On September 12, 2019, the Company announced they reached an agreement with Century and Caliber to change the terms relating to the earn in option agreement by changing the date of the US$100,000 option payment to December 11, 2019 (paid) and deferred the 2019 exploration obligations to 2020.

On November 27, 2020, the Company entered into an additional amending agreement with Century and Caliber to extend the deadline for completion of the minimum exploration expenditures to December 31, 2022. Also, the deadline to acquire the additional 29% interest, as outlined below, has been extended to December 31, 2024. As part of the amending agreement the Company changed the name of the project to Gunman Project, agreed to pay US$15,000 to Century and was required to spend a minimum of US$200,000 by December 31, 2021, as a condition precedent for the effectiveness of the amending agreement.

On December 14, 2021, the Company entered into an additional amending agreement with Century and Caliber to extend the deadline to complete the minimum of US $200,000 of qualified exploration expenditures to on or before June 30, 2022.

On December 29, 2022, The Company entered into an additional amending agreement with Century and Caliber to extend the deadline for completing the First Option Conditions of Exercise to March 31, 2023.

The spending and associated ownership is as follows:

The Company has completed the following to earn its initial 51% of the Gunman Project:

- In December 2017, a cash payment was made to Caliber of US$125,000 ($158,897) and 2.2 million Pasinex Common Shares (value of $484,000) were issued to Caliber and Century.
- In September 2018, a cash payment of US$200,000 ($258,960) and issuance of 2.2 million Pasinex Common Shares (value of $264,000) were made to Caliber and Century.
- In December 2019, a payment of US$100,000 cash and issuance of 200,000 Pasinex Common Shares (valued at $6,000) to Century.
- In addition, minimum exploration expenditures as defined in the Option Agreement must be spent as follows:
    - US$250,000 prior to December 5, 2018 (spent);
    - US$800,000 prior to December 5, 2019 (spent);
    - US$800,000 prior to December 5, 2020 (spent).

The Option Agreement calls for Pasinex and Century to enter into a joint venture agreement now that the Company has exercised the first option and earned the 51% interest. Pasinex is currently discussing with Century whether this is necessary and may continue with phase 2, to earn an additional 29% interest, without the joint venture agreement. Total consideration to acquire the 51% interest included US$425,000 in cash payments, the issuance of 4.6 million Pasinex Common Shares and exploration expenditures of US$1,850,000.

(Expressed in Canadian Dollars, unless otherwise indicated)

7. Exploration and evaluation assets (continued)

(b) Gunman Project (continued)

To acquire an additional 29% of the Gunman Project:

- Prior to December 5, 2021 (deferred to December 31, 2024):
  - a payment of US$250,000 cash and issuance of 200,000 Pasinex Common Shares to Century; and
  - spend an additional US$1.1 million (spent approximately US$500,000 to December 31, 2023) in exploration expenditures as defined in the Option Agreement.

  The underlying licenses are in good standing until September 2024.

8. Accounts payable and accrued liabilities

		As at December 31,		
		2023		2022
Trade payables	$	202,022	$	652,380
Accrued liabilities		162,445		63,200
Total accounts payable and accrued liabilities	$	364,467	$	715,580

9. Shareholder loans

On August 1, 2018, the Company entered into loans with certain shareholders and directors of the Company (the "lenders") in the form of promissory notes. The promissory notes are payable on demand to the lenders and bear interest at 6% per annum, payable quarterly in arrears commencing September 15, 2018. The promissory notes are secured by all the property and assets of the Company.

The Company recorded interest expense of $138,218 during the year ended December 31, 2023, compared with $147,147 in 2022. The Company paid $50,000 during the year ended December 31, 2023, of the accrued interest owing on the shareholder loans (2022 - $518,107 of the accrued interest owing on the shareholder loans and in principal repayments). As at December 31, 2023, the outstanding shareholder loans and accrued interest thereon totalled $2,491,365 (December 31, 2022 - $2,403,147).

(Expressed in Canadian Dollars, unless otherwise indicated)

10. Loan payable

	As at December 31,			
		2023		**2022**
CEBA loan	**$**	**40,000**	$	40,000

On April 24, 2020, the Company applied for the Canada Emergency Business Account ("CEBA") interest-free loan. To date the Company has drawn $40,000. The loan balance must be repaid on or before January 18, 2024. The Company entered into a loan agreement with its principal banker in the first quarter of 2024 from which the proceeds were used to repay the CEBA loan. See *note 18(b) – Subsequent Events* for more information.

One of the shareholder loans was reclassified to loan payable from shareholder loans during 2021. Interest expense recorded in 2022, on this loan, was $3,044. The Company fully repaid this loan during 2022, therefore there was no similar interest recorded in 2023. Cash paid in interest and principal totaled $116,510 in 2022.

11. Share capital

(a) Authorized: Unlimited common shares with no par value.

(b) Issued and outstanding common shares:

	Number of Shares		Amount
Balance as at December 31, 2021 and December 31, 2022	144,554,371	$	12,888,506
Balance as at December 31, 2022 and December 31, 2023	**144,554,371**	**$**	**12,888,506**

(Expressed in Canadian Dollars, unless otherwise indicated)

12. Stock options

The Company has a stock option plan (the “Plan”) in place under which it is authorized to grant options of up to 10% of its outstanding shares to officers, directors, employees and consultants. The exercise price of each option is to be determined by the Board of Directors but shall not be less than the discounted market price as defined by the CSE. The expiry date for each option should be for a maximum term of five years. The Plan was most recently approved at the Company’s 2015 Annual General Meeting.

The following table reflects the continuity of stock options for the periods presented:

	Number of Options		Weighted Average Exercise Price
Balance as at December 31, 2021	10,750,000	$	0.05
Granted (note 12(a))	1,500,000	$	0.04
Expired	(1,700,000)	$	0.07
Balance as at December 31, 2022	10,550,000	$	0.04
Expired	(50,000)	$	0.20
Balance as at December 31, 2023	10,500,000	$	0.04

(a) On March 24, 2022, 1,500,000 stock options were granted to the CFO of the Company at an exercise price of $0.04 per stock option, expiring March 24, 2027. The stock options vested immediately. The fair value of the stock options at the date of grant of $57,000 was estimated using the Black-Scholes valuation model with the following assumptions: a five-year expected term; a 183% expected volatility based on historical trends; risk-free interest rate of 2.27%; share price at the date of grant of $0.04; and an expected dividend yield of 0%. The Company expensed the full amount of $57,000 in the first quarter of 2022.

The Company had the following stock options outstanding as of December 31, 2023:

	Number of Options				Weighted Average Remaining
Expiry Date	**Outstanding**	**Exercisable**		**Exercise Price**	**Contractual Life (Years)**
July 25, 2024	500,000	500,000	$	0.09	0.57
April 30, 2026	8,500,000	8,500,000	$	0.04	2.33
March 24, 2027	1,500,000	1,500,000	$	0.04	3.23
Total	**10,500,000**	**10,500,000**	**$**	**0.04**	**2.38**

(Expressed in Canadian Dollars, unless otherwise indicated)

13. General and administrative costs

General and administration costs are as follows:

	Years Ended December 31,			
		2023		2022
Consulting fees (note 14)	**$**	**368,290**	$	485,235
Investor relations		**15,647**		27,603
Management fees and salaries (note 14)		**220,350**		231,300
Director fees (note 14)		**72,000**		226,000
Office and general		**75,869**		7,146
Professional fees		**532,221**		278,356
Transfer agent and regulatory fees		**25,301**		21,892
Travel and meals		**175,173**		110,306
Other		**1,186**		2,369
Total general and adminstrative costs	**$**	**1,486,037**	$	1,390,207

14. Related party balances and transactions

Related parties and related party transactions impacting the accompanying consolidated financial statements are summarized below and include transactions with key management personnel, which includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities. A number of these entities had transactions with the Company during the year. The terms and conditions of these transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, for similar transactions to non-key management personnel related entities on an arm's length basis.

A summary of the related party transactions and balances is as follows:

	Years Ended December 31,			
		2023		2022
Management fees and salaries	**$**	**220,350**	$	231,300
Consulting fees		**187,019**		208,338
Director fees		**72,000**		226,000
Share-based payments (note 12)		**-**		57,000
Interest expense on shareholder loans (note 9)		**138,218**		147,147
	$	**617,587**	$	869,785

(Expressed in Canadian Dollars, unless otherwise indicated)

14. Related party balances and transactions (continued)

Amounts payable to related parties were as follows:

	Due to Related Parties		Shareholder Loans	
	As at December 31,		As at December 31,	
	2023	**2022**	**2023**	**2022**
1514341 Ontario Inc. [(1)]	**$ -**	$ -	**$ 2,030,457**	$ 1,968,357
Soner Koldas [(2)]	**19,178**	-	**-**	-
Seeley Holdings Ltd. [(3)]	**-**	-	**372,175**	351,093
Rainer Beteiligungsgesellschaft [(4)]	**-**	-	**88,733**	83,697
2192640 Ontario Inc. [(5)]	**30,504**	44,236	**-**	-
Horzum AS	**-**	362,000	**-**	-
	$ 49,682	$ 406,236	**$ 2,491,365**	$ 2,403,147

(1) 1514341 Ontario Inc. is a company controlled by Larry Seeley, a director of the Company.
(2) Soner Koldas is the General Manager of Pasinex AS and Managing Director of Horzum AS.
(3) Seeley Holdings Ltd. Is a company controlled by a family member of Larry Seeley, a director of the Company.
(4) Rainer Beteiligungsgesellschaft is owned by Joachim Rainer, a director of the Company.
(5) 2192640 Ontario Inc. is a company controlled by Andrew Gottwald, the CFO of the Company.

These transactions are in the normal course of operations and have been valued in these consolidated financial statements at the amount of consideration established and agreed to by the related parties. Amounts due to related parties are unsecured, non-interest bearing and due on demand.

In 2022, Pasinex Arama received a TRY 5.0 million payment (approximately $357,000 using the exchange rates on the date the amount was received), in the form of an advance for a dividend that was declared in 2023. This amount was included in due to related parties until the dividend was declared. The value of the advanced dividend at December 31, 2022, using the year-end exchange rate was $362,000.

To the knowledge of the directors and officers of the Company, as at December 31, 2023, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the common shares of the Company other than set out below:

	Number of Common Shares	Percentage of Outstanding Common Shares
Larry Seeley	**30,000,591**	**20.75%**

(Expressed in Canadian Dollars, unless otherwise indicated)

15. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2022 - 26.5%) to the effective tax rate is as follows:

	Years Ended December 31,	
	2023	**2022**
Net income (loss) before recovery of income taxes	**$ (271,954)**	$ 2,043,173
Expected income tax recovery	**(72,070)**	541,440
Stock based compensation and non-deductible expenses	**45,140**	4,610
Equity gain from Horzum AS	**-**	(725,630)
Assigned dividend	**(166,020)**	(290,250)
Difference in foreign tax rates	**(140,980)**	189,520
Loss on net monetary position	**134,980**	123,490
Other comprehensive loss	**-**	(39,940)
Change in tax benefits not recognized	**236,764**	196,760
Income tax	**$ 37,814**	$ -
The Company's income tax (recovery) is allocated as follows:		
Current tax (recovery) expense	**$ 37,814**	$ -

Deferred tax

The following table summarizes the components of deferred tax:

	As at December 31,	
	2023	**2022**
Deferred tax assets		
Operating tax losses carried forward - Canada	**$ 102,190**	$ 97,960
Deferred tax liabilities		
Foreign exchange on account of capital	**$ (19,710)**	$ (15,480)
Capitalized mineral costs	**(82,480)**	(82,480)
Subtotal of liabilities	**$ (102,190)**	$ (97,960)
Net deferred tax liability	**$ -**	$ -

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

(Expressed in Canadian Dollars, unless otherwise indicated)

15. Income Taxes (continued)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31, 2023	2022
Property, plant and equipment	**$ 14,730**	$ 24,140
Loan payable	**10,000**	10,000
Operating tax losses carried forward - Canada	**9,277,060**	13,236,870
Non-capital losses carried forward - USA	**15,030**	18,030
Operating tax losses carried forward - Turkey	**-**	114,200
Capital losses carried forward	**74,150**	74,150
Investment in Horzum AS	**5,357,140**	7,028,440
Charitable donations carryforward	**7,500**	-
Resource pools - mineral properties	**2,927,010**	2,363,120
	$ 17,682,620	$ 22,868,950

The Canadian non-capital loss, U.S. and Turkish net operating losses expire as noted in the table below. The capital loss carry forward may be carried forward indefinitely but can only be used to reduce capital gains. The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

(Expressed in Canadian Dollars, unless otherwise indicated)

15. Income Taxes (continued)

The Canadian operating tax loss carry forwards expire as noted in the table below.
The U.S. operating tax losses can be carried forward indefinetely.
The capital loss carry forward may be carried forward indefinitely, but can only be used to reduce capital gains.
The remaining deductible temporary differences may be carried forward indefinitely.
Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

Expiry		**Canada**
2036	$	641,994
2036		554,420
2037		1,920,470
2038		1,570,030
2039		1,027,350
2040		929,250
2041		733,020
2042		1,900,520
Indefinite		-
	$	**9,277,054**

(Expressed in Canadian Dollars, unless otherwise indicated)

16. Segmented information

The Company has one operating segment, acquisition, exploration and development of mineral properties. The table below shows consolidated data by geographic segment based on the location:

	As at December 31,			
		2023		**2022**
Non-current assets by geographic segment				
Türkiye	**$**	**1,291,202**	$	1,495,229
United States		**1,401,990**		1,435,699
	$	**2,693,192**	$	2,930,928
Total assets by geographic segment				
Canada	**$**	**110,717**	$	724,551
Türkiye		**1,412,691**		1,735,578
United States		**1,501,252**		1,622,007
	$	**3,024,660**	$	4,082,136

	Years Ended December 31,			
		2023		**2022**
Equity gain from joint venture				
Canada	**$**	**-**	$	-
Türkiye		**1,797,579**		3,928,724
United States		**-**		-
Total equity gain from joint venture	**$**	**1,797,579**	$	3,928,724
Net (loss) income				
Canada	**$**	**3,959,962**	$	(1,800,858)
Türkiye		**(3,704,550)**		4,921,599
United States		**(565,180)**		(1,077,568)
Total net (loss) income for the year	**$**	**(309,768)**	$	2,043,173

(Expressed in Canadian Dollars, unless otherwise indicated)

17. Financial Instruments

In accordance with IFRS, the Company shall disclose the comparison of carrying amounts and fair values of the Company's financial instruments that are carried in the consolidated financial statements. As of December 31, 2023 and 2022, the fair values of the financial assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments, except for cash which is measured at fair value based on price quotations at the reporting date.

The Company classifies its financial instruments using a fair value hierarchy as a framework for disclosing fair value of financial instruments based on inputs used to value the Company's investments. The hierarchy of inputs and description of inputs is described as follows:

Level 1 – fair values are based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – fair values are based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); or

Level 3 – fair values are based on inputs for the asset or liability that are not based on observable market data, which are unobservable inputs.

As at December 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	**$ 177,278**	**$** -	$ -	**$ 177,278**

As at December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 855,567	$ **-**	$ **-**	$ 855,567

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments. This section presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies as set out herein. A discussion of the Company's use of financial instruments and their associated risk is provided below:

a) Credit Risk

Credit risk is the risk of loss associated with a counter party's inability to fulfill its payment obligations. The Company's credit risk is attributable to its cash balances, trade receivables and related party receivables. The Company manages its credit risk on bank deposits by holding deposits in high credit quality banking institutions in Canada and in Türkiye. Management believes that the credit risk with respect to trade receivables is remote because of receipt of upfront payments from most customers. The credit risk on related party receivables has been assessed as high. The maximum credit risk exposure relating to financial assets is represented by their respective carrying values as at the date of the consolidated statements of financial position.

17. Financial Instruments (continued)

b) Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient capital to meet liabilities when due after taking into account the Company's holdings of cash that might be raised from equity financings. As at December 31, 2023, the Company had a cash balance of $177,278 (2022 - $855,567) and current liabilities of $2,976,689 (2022 - $3,564,963). All of the Company's accounts payable and accrued liabilities and due to related parties have contractual maturities of less than 60 days and are subject to normal trade terms. Shareholder loans are due on demand from the shareholders but because of the related party nature and the ownership interests of these shareholders, it is unlikely the shareholders would call the loan until ample funds are available in the Company. The Company may manage its short-term liquidity shortfall by obtaining additional loans from directors or by equity financing. See also the discussion in *note 3(a) - Basis of Measurement and Going Concern*.

c) Market Risk

Market risk consists of currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency risk - foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company received dividends from its investment in Horzum AS. Dividends are declared in TRY and paid to the Company in increments as excess cash is available and therefore subject to foreign currency risk arising from the fluctuation in currency exchange between the Canadian dollar and TRY. In addition, during the year ended December 31, 2023, the translation of the assets and liabilities of Pasinex Arama and Pasinex Nevada resulted in foreign currency translation adjustments of negative $159,434 (2022 - negative $164,575) recorded in other comprehensive loss. For the year ended December 31, 2023, if the TRY to Canadian dollar exchange rate increased/decreased by 5% with all other variables held constant, other comprehensive loss would have been approximately $193,000 higher/lower (2022 – approximately $246,000 higher/lower).

ii) Interest rate risk - interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. As at December 31, 2023 the Company is not exposed to interest rate risk as the Company does not have any debt with variable interest rate.

(iii) Price risk - the Company is exposed to price risk with respect to commodity prices, particularly the price of zinc. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to zinc prices, and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's future profitability and viability depend upon the world market price of zinc. Zinc prices have fluctuated widely in recent years. Sales in Horzum AS are subject to fluctuations in zinc price. For the year ended December 31, 2023, if the sales prices increased/decreased by 5% with all other variables held constant, other comprehensive loss would have been approximately $169,000 higher/lower. The Company uses the equity method to account for its investment in Horzum and therefore any change in Horzum AS's income statement is shown as an equity gain on the Company's income statement.

17. Financial Instruments (continued)

d) Capital Structure

In addition to its cash balances, the Company manages its common shares, stock options and warrants as capital. Management reviews its capital management approach on an ongoing basis and will assess making adjustments within the context of the Company's strategy, economic conditions and risk characteristics of its assets. No changes were made to management's approach in 2022 from 2021. To adjust or maintain the capital structure, the Company may issue new equity, incur debt, enter into joint venture arrangements, or dispose of certain assets. The Company's key policy guidelines for managing capital structure is to ensure there is enough funding to complete its commitments under option agreements and other growth initiatives while maintaining a conservative level of debt relative to total capital and earnings within the context of its financial forecasts for pricing, costs and production.

The Company's investment policy is to hold excess cash in interest bearing accounts at high credit quality financial institutions to maximize liquidity. In order to maximize ongoing development efforts, the Company does not pay dividends.

18. Subsequent events

(a) Subsequent to December 31, 2023, Pasinex Canada received approximately $380,000 from shareholders of the Company, which have been added to existing shareholder loan agreements. In addition, Pasinex Arama transferred US$60,000 (approximately $82,000 using the exchange rates on the dates of the transfers) to Pasinex Canada.

(b) Subsequent to December 31, 2023, the Company entered into a loan agreement with its principal banker in the first quarter of 2024 from which the proceeds were used to repay the CEBA loan. The term of the loan is five years, at an interest rate of prime + 2.34%, with monthly payments of $631. The loan can be prepaid at any time without fee or premium.